

ENCORE had obtained exclusive rights to theatrical releases from New Line Cinema and Universal Studios. See Attachments 4-5.

According to the January 10, 1994, issue of Broadcasting & Cable, at 34, USA Network finished the 1993 calendar year as the highest rated basic cable network in prime time, marking the network's fourth consecutive year on top. DirecTV will be carrying USA. "Close behind" was Superstation WTBS, which finished as the most-watched network on a 24-hour basis. Id. DirecTV will carry WTBS. The Turner Broadcasting networks accounted for 11 of the 21 top-rated basic cable shows. Id. DirecTV will be carrying the Turner networks. Nine of the top 21 shows of the year were on ESPN. Id. DirecTV will carry ESPN. Obviously, DirecTV has secured popular cable programming, attractive to consumers.¹⁴

USSB cannot and will not be carrying any of the programming services that DirecTV has secured. The inability of DirecTV to offer Time Warner's and Viacom's programming services will not "hobble" either of the DBS service providers as competitors to cable, since both DBS service providers at 101° will be able to, from the very outset of service, reach every household in the continental U.S. -- something no cable company

service (which USSB will not be carrying), is a first-run, premium movie channel, competitive with HBO and Showtime that should be available to DirecTV.

¹⁴Moreover, the January 7, 1994 issue of Communications Daily, at 6, reported that DirecTV would be announcing more programming packages in the next 30 days.

alone and all cable companies together cannot accomplish. The impressive array of programming services DirecTv has secured, see note 5, supra, belies NRTC's contentions that DirecTv will be unable to attract consumers. The exclusivity protections that USSB has obtained, which are consistent with and permitted by the program access provisions of the Cable Act and the Commission's regulations adopted pursuant thereto, are necessary to ensure that there will be competition within DBS. Together the programming services that DirecTv and USSB have obtained and will offer to consumers nationwide over the same receive system ensure that DBS will be a most formidable competitor to cable.

As with its arguments about the availability of attractive programming, NRTC's contentions concerning pricing are also misleading. Without any actual knowledge of USSB's contractual provisions with HBO, Showtime, and MTV, NRTC states, "USSB **evidently** paid an exclusivity premium for its arrangements with Time Warner and Viacom, who thereby set the baseline price for distribution of HBO, Showtime and their programming in the DBS market." NRTC Presentation at 6, ¶13 (emphasis added). NRTC also complains that no other DBS provider can obtain this programming from USSB at a better price." Id. USSB is not aware of any law, policy, rule, or economic theory that would require or even suggest that USSB must sell a product to a competitor at any price, especially a price lower than what USSB paid for it. For the consumer, USSB will offer all of its programming at competitive prices, and all consumers will be able to select

their own programming packages from the competitive but complementary program providers (USSB and DirecTv) with the same receive equipment.

More importantly, NRTC has continued to press its pricing argument at the FCC, at other government agencies, and in court, when NRTC knows that what it states is not true. Indeed, in the Primestar Partners proceeding, both the Plaintiffs (45 states and the District of Columbia) and the Defendants (cable companies and programmers, including Time Warner and Viacom, that formed Primestar Partners, L.P., in 1990) demonstrated (in response to arguments by DirecTv and NRTC to the contrary) that the Final Judgments in that proceeding "require that all DBS contracts be made on reasonable business terms...", do "not... endorse, let alone 'enshrine,' the pricing of the first contract," but "do, however, impose **a ceiling that the terms and conditions available to other DBS operators can in no circumstances be less favorable.**" States' Memorandum at 17, emphasis added. See also "Defendants' Memorandum In Support of Proposed Final Judgments and In Opposition to the Common Carriers' Motion to Intervene," filed in U.S. District Court, S.D.N.Y., 93 Civ. 3868 (August 23, 1993), at 17.

NRTC's pricing argument is an intentionally misleading argument. USSB paid competitive, not artificially high, prices for its programming. The prices at which USSB will make its programming available to the consumer have been known to NRTC for some time and have been publicly announced. See, e.g., "Prices

for DBS Programming Launched," Broadcasting & Cable (Jan. 3, 1994) at 47. USSB's programming prices include a range of pricing options that are competitive to cable and all other multichannel video program providers.

It is absurd of NRTC to maintain that the cable industry is in league with USSB to control and inhibit the development of DBS, to which USSB has devoted more than 13 years and substantial resources. While USSB has secured programming services owned by Viacom and Time Warner, DirecTv has obtained programming services owned by Liberty Media Corp., a spin-off company of cable behemoth Tele-Communications, Inc. (TCI), and services owned by Turner Broadcasting, which is also controlled in part by TCI. It seems apparent to USSB that cable programmers are doing just what the program access requirements of the Cable Act were designed to achieve -- making their programming available to multichannel video programming distributors that compete with cable.

It is absurd even to suggest that there is any way that USSB would or could ever be able to control the development of DBS; **but there is a very real danger that government interference with USSB's lawful programming arrangements would have the effect of ensuring that DirecTv, a subsidiary of General Motors, is a more formidable force in the video marketplace than any existing cable company or programmer could ever hope to be.** Any policy, regulation, or action by the Commission that would invalidate the exclusive guarantees in USSB's lawful programming contracts for DBS and would require USSB's programmers to make their

programming available to the only other DBS permittee/licensee would have the effect of allowing one DBS operator (DirecTv) to control the development of the entire DBS market. See pages 27-28, infra.

V. THERE WAS AND IS A PUBLIC POLICY REASON TO PROHIBIT ONLY EXCLUSIVE ARRANGEMENTS INVOLVING CABLE OPERATORS IN AREAS NOT SERVED BY CABLE OPERATORS

NRTC contends in its NRTC Presentation that Section 628(c)(2)(C) of the Cable Act prohibits all exclusive programming agreements in non-cabled areas, regardless of the technology deployed, but that in Section 628(c)(2)(D) Congress prohibited only exclusives involving cable operators in cabled areas. This interpretation totally ignores and is obviously contrary to the specific language of the Conference Committee Report for these two sub-sections of the Act. The Conference Report described these two sub-sections of the Act as follows:

With regard to areas not passed by a cable system, the regulations required by the House amendment **prohibit exclusive contracts and other arrangements between a cable operator and a vendor** which prevent a multi-channel video programming distributor from obtaining programming from a satellite cable programming vendor affiliated with a cable operator.

With regard to areas served by cable operators, the FCC's regulations must prohibit exclusive contracts for satellite cable programming **between a cable operator and a satellite cable programming vendor** affiliated with a cable interest, unless the FCC determines such a contract is in the public interest.

See H.R. CONF. REP. NO. 102-862, 102d Cong., 2d Sess. 92 (1992) (emphasis added). While there may be slight differences in the precise wording of the two sub-sections of the Act, one factor is common to both -- the contracts addressed by these sub-sections are contracts involving cable operators. The intent of Congress was unambiguously expressed in the Conference Report.

Contrary to NRTC's contentions in its NRTC Presentation, it is clear that Congress intended to prohibit absolutely exclusive contracts between cable operators and programming vendors in areas unserved by cable. NRTC scoffs at this interpretation, calling it "silly" and stating, without any support at all, that:

"Cable operator exclusives" are generally not a problem in unserved areas. Congress did not intend to "fix" a problem that does not exist.

NRTC Presentation at 9.

However, even a cursory review of the First Report and Order and the record in MM Docket 92-265 reveals that NRTC is dead wrong. Indeed, the Commission noted in its First Report and Order that **the record in this proceeding had revealed two key areas of concern** for the competitors to cable, the first of which was that a number of multichannel video programming distributors asserted that they had "been unable to secure certain programming at all **because programming vendors have exclusive contracts with cable operators, even in areas not currently served by cable.**" First Report and Order, 8 FCC Rcd at 3378 (emphasis added). The Attorneys General of Texas, Maryland, Ohio, and Pennsylvania, for

example, specifically discussed the practice of "granting cable-only exclusives in areas where no cable exists" in comments in this proceeding. See USSB Opposition at 12. It is inconceivable that NRTC could in good faith have reviewed the Commission's First Report and Order and the record of this proceeding and still include paragraphs 21 and 22 in its NRTC Presentation.

Far from being "silly" -- a problem that does not exist -- cable-only exclusives in non-cable areas¹⁵ were identified by the Commission as one of two key areas of concern in this rulemaking proceeding and as the concern that the absolute prohibition in Section 628(c)(2)(C) of the Act was designed to address. See First Report and Order, 8 FCC Rcd at 3378. Such contracts were flatly prohibited because they resulted in no service being provided to the consumer. See USSB Opposition at 13-16.

VI. EXCLUSIVE CONTRACTS ARE COMMON COMPETITIVE TOOLS IN THE VIDEO DISTRIBUTION INDUSTRY

NRTC asserts that "[o]ther program delivery technologies have developed without the 'benefit' of exclusive arrangements." To support this contention, NRTC contends that it originally faced exclusive arrangements in the TVRO market in the 1980's but that now multiple distributors compete in C-Band. From this brief and singular example, NRTC contends that "exclusives" are not necessary in the DBS market and would be "counterproductive

¹⁵See also 138 CONG. REC. 6541 (statement of Mr. Harris) and 6543 (statement of Mr. Thomas).

from a public interest perspective." NRTC asserts that "USSB is not entitled to receive special treatment."

As Congressman Dingell observed in debate on this section of the Cable Act, however, **exclusive distribution contracts are a fact of life in the video distribution business, and have been for more than 40 years:**

A lot has been said here today about exclusive distribution contracts. If this term is used in a pejorative fashion, it sounds most pernicious.

But exclusive distribution contracts are a fact of life in the video distribution business, and have been for more than 40 years. They are not evil. The CBS Television Network has exclusive distribution contracts - with the more than 200 CBS affiliates around the country. Likewise with NBC, ABC, and Fox.

Program syndicators enter into exclusive distribution contracts as well. Only one station per market can show programs like "Wheel of Fortune," or "Cosby" reruns, or any of the other shows that are syndicated.

Sports leagues do it too. ABC has an exclusive arrangement with the NFL to show "Monday Night Football."

Not only are exclusive distribution contracts a fact of life in the video marketplace. Exclusivity provides the mechanism to achieve diversity - an important policy goal that benefits the public. With access to more choices, the public has an increased opportunity to select what they want to see on television. Diversity helps to preserve our democracy, and is essential to enlightened self-governance.

138 CONG. REC. 6542 (daily ed. July 23, 1992) (statement of Mr. Dingell).

The goals of robust competition, maximum utilization of the spectrum, and diversity of viewpoints are all served by USSB's agreements with the programming services of HBO, Showtime, and

MTV and by the regulations adopted by the Commission in its First Report and Order. The exclusive provisions in the program contracts USSB has **are necessary to ensure that there is competition in the high power DBS service**. DirecTv will always have significantly more channels than USSB; USSB will never have the channel capacity to compete with DirecTv for much of the programming DirecTv proposes to offer. Thus, **all of DirecTv's programming will be de facto exclusive** vis-a-vis USSB, and NRTC, DirecTv, and all programmers know that. It is therefore absolutely imperative for USSB to have the opportunity to differentiate and present complementary programming if it is to be able to provide effective competition to Hughes/DirecTv and **to be an effective competitor to cable**.

Because DirecTv will control more than five times the channel capacity of USSB, DirecTv could potentially engage in predatory pricing practices and could offer prices lower than USSB's for any program services USSB and DirecTv both carry, secure in the knowledge that DirecTv can offer the remainder of its programming (i.e., the programming unique to DirecTv) for any price it wants to offset any discounts it gives on the programming shared in common. As long as one DBS service provider controls far more channels than the other, the only way the one with fewer channels will remain competitive is if it obtains exclusive rights to its programming.

The U.S. Department of Justice obviously understands that competition within DBS, for the foreseeable future, rests upon

USSB's ability to differentiate its programming. In responding to DirecTv's/NRTC's submission in the U.S. v. Primestar Partners proceeding, the Justice Department (for the Government) noted:

The effects of DirecTv's proposal on competition among DBS providers is not entirely clear. DirecTv will ultimately be in a position to sell approximately 150 channels of programming, as opposed to approximately 30 for USSB. If DirecTv were able to offer all of the attractive programming that was available to USSB, competition between DirecTv and USSB might be impaired. DirecTv appears to understand the need for differentiated programming between itself and USSB as it has, the Department understands, obtained certain exclusive programming rights vis-a-vis USSB.

DOJ Comments, 58 Fed. Reg. at 60,675, n. 9.

Exclusive program contracts are also necessary to foster maximum utilization of the spectrum in DBS. Because of its far greater channel capacity, Hughes/DirecTv **could completely duplicate** all of the programming that USSB has arranged to acquire from Time Warner, Viacom, and others, if USSB were not permitted to maintain its exclusive right to distribute such programming by DBS. It would be a terrible waste of the spectrum in this new technology to mandate that both DBS service providers (offering service to consumers over the same satellite and using exactly the same receive system) must be able to offer the same programming services.

Exclusive contracts guarantee diversity. The goal of maximum diversity of viewpoints is served when the consumer has the right and option to acquire the program services of **either or**

both DirecTv and USSB. That goal is not served by any requirement that programming available to one DBS service provider must be made available to all of its competitors in the same service and the same market. Such a requirement would effectively reduce the number of programming choices available to the consumer and would not serve the public interest -- only the private anticompetitive interests of DirecTv and NRTC would be served.

DirecTv and NRTC seem to assume that all consumers would want to choose either DirecTv's service or USSB's service only, and it appears that DirecTv has chosen to market its service in a way that is designed to mislead consumers into making such a choice. However, because of the shared DSS™ system, USSB believes that many if not most consumers will want to receive as many channels of different programming as possible, particularly if they are acquiring DBS as an alternative to cable. The goal of maximum diversity is to bring the consumer as many choices as possible. That goal is served only when each DBS service provider has unique services to offer.

The FCC has held that:

exclusivity is a normal competitive tool, useful and appropriate for all sections of the industry, including cable as well as broadcasting. Exclusivity enhances the ability of the market to meet consumer demands in the most efficient way; this is a sufficient reason for allowing all media the same rights to enter into and enforce exclusive contracts.

Program Exclusivity in the Cable and Broadcast Industries, 3 FCC Rcd 5299, 5310 (1988), aff'd sub nom., United Video, Inc. v. FCC, 890 F.2d 1173 (D.C. Cir. 1989). USSB is not asking the Commission for any special treatment or consideration. USSB's programming arrangements are entirely consistent with the Cable Act, the Commission's regulations, and established industry practices. It is NRTC, not USSB, that is asking for extraordinary relief that is not justified or warranted under the Cable Act or under any regulation or policy of the Commission.

While NRTC contends that "exclusives" are not necessary in the DBS market and that they would be counterproductive from a public interest perspective, NRTC has crafted for itself an **exclusive distribution arrangement with DirecTv**.¹⁶ Moreover, USSB believes that DirecTv has entered into **exclusive contracts with MCA, Sony, and Paramount by which they will provide their movies exclusively to DirecTv**. In any event, due to USSB's limited channel capacity, DirecTv has de facto exclusivity for all of its programming. As noted above, DirecTv originally competed with USSB for the rights to programming services owned by Viacom and Time Warner and sought exclusivity protection in its negotiations with Time Warner's HBO. Had DirecTv been

¹⁶It has also been publicly reported that **DirecTv has entered into contracts with the five regional satellite receive equipment sales management agents selected by Thomson for distribution of the DSS™ receive equipment to TVRO dealers, which contracts provide for those agents to sell DirecTv's programming exclusively (i.e., they would not sell USSB's programming)**. USSB, on the other hand, has no such distribution restrictions and has not sought them. See Attachments 1,6 hereto.

successful, NRTC would have been a beneficiary of DirecTv's exclusivity guarantees.¹⁷ Obviously the only exclusive program contracts that NRTC finds offensive are those to which USSB is a party.

**VII. USSB DID NOT MISCHARACTERIZE
THE PRIMESTAR RECORD**

USSB's ex parte presentation of September 1993 is included in this record. However, because of the blatantly false and misleading statements of NRTC, a copy of USSB's September 1993 presentation is also attached hereto. See Attachment 8. In its presentation, USSB included the following statement:

The language of the Act allowed Judge Sprizzo, during oral arguments in the Primestar partners case, to say

There followed six quotations from the record in which Judge Sprizzo rejected NRTC's and DirecTv's arguments that the Cable Act prohibits exclusive contracts between DBS operators and certain programming providers. Nowhere in USSB's September 1993 ex parte filing did USSB claim, as NRTC falsely states, "that Judge Sprizzo and 40 State Attorneys General supported the USSB/Time Warner/Viacom deal as being consistent with the requirements of the Cable Act." USSB did not even attempt to characterize any of Judge Sprizzo's or anyone else's comments.

¹⁷NRTC's statement that it did not base its business plan on exclusive arrangements with vertically integrated programmers, NRTC Presentation at 7, is meaningless. NRTC is not distributing programming it obtained from **any** programmers. It is distributing DirecTv's programming and DirecTv **did** seek such exclusive arrangements!

USSB simply included excerpts from the transcript of the oral argument (which speak for themselves). It is NRTC which seeks to mischaracterize Judge Sprizzo's actions.

To avoid any confusion, USSB attaches hereto the relevant pages from the transcript containing the comments of the Judge in response to the arguments presented to him. See Attachment 2. It is obvious that USSB did not misquote or mischaracterize any aspect of the Primestar proceeding. The only misquoting and mischaracterizing has been done by NRTC.

VIII. CONCLUSION

The legislative history of the Cable Act and the record in this proceeding led the Commission to adopt regulations that were entirely consistent with the Cable Act, with the intent of Congress, and with the expressed concerns of the participants in MM Docket 92-265. USSB has entered into programming arrangements that fully comply with the Act and with the Commission's regulations. Those arrangements do not restrict or limit the availability of DBS programming to the consumer. To the contrary, consumers have a wider array of program offerings if exclusive programming contracts are permitted in DBS. Such contracts promote competition within DBS and do not affect the availability of programming to the consumer from any other multichannel video programming distributors.


There is no reason for the Commission to amend or disturb the regulations it adopted in its First Report and Order. The Commission has authorized two DBS service providers which will

soon commence service at 101°. Together these DBS service providers, DirecTv and USSB, will in a few short months offer a wide variety of programming choices to consumers across the continental U.S., with the programming services of both DBS providers available to all Americans in a seamless system, **using the same satellite and the same receive system.** The Commission should not, on the eve of this new service, disrupt the programming plans and contracts of the DBS service providers solely because one of them, DirecTv, did not acquire all of the programming services available. The Commission's focus should be on consumers, not on NRTC's or DirecTv's marketing plans or their contractual commitments to each other. Under the existing regulations and the existing programming arrangements, which ensure competition within the DBS service while offering the consumer the full array of programming services available anywhere on cable, the consumer is best served.

Respectfully submitted,

UNITED STATES SATELLITE
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STANLEY E. HUBBARD II
President and
Chief Operating Officer

December 13, 1993

The Honorable
United States Senate (House of Representatives)
Washington, D.C. 20510

Dear Senator (Congressman):

You have been hard at work shaping the most critical telecommunications issues affecting every American family's access to full television programming. So I wanted you to have a preview of a press release being sent out in a few days showing how we at USSB are putting real muscle behind that commitment to full access. The headline reads: **"All Viewers Gain Full Access Via USSB's Open Retail Policy."**

Under USSB's unprecedented open retail policy, any authorized retailer of the satellite receivers—be it a satellite dealer, a consumer electronics store, or a franchised affiliate of the National Rural Telecommunications Coop (NRTC)—will be eligible to sell USSB's program packages. And at any time, customers anywhere within the continental United States will be able to order USSB's programming directly by calling 1-800-204-USSB.

This means universal availability of the USSB program services with fair and competitive pricing--any citizen in rural, suburban or urban America--will have open access to USSB's new Direct Broadcast Satellite (DBS) service which starts up next April.

The revolutionary DBS system that we are putting in place together with Hughes Communications (DirecTv) and RCA will deliver 150 or more digital television channels--plus audio and data--to every household in the continental United States that wishes to purchase a receiving system (just \$699). All the popular cable networks plus many new services will be available:

USSB's offerings will include some of America's most popular television networks--HBO, Showtime, The Movie Channel, Cinemax, Flix, MTV, Nickelodeon, Comedy Central, Lifetime, All News Channel and more. USSB packages will range from \$7.95 to \$34.95.

And with the very same DBS receiving system, consumers will also be able to receive all of **DirecTv's** programming which includes The Disney Channel, Encore, Turner Classic Movies, TBS, CNN, Headline News, Discovery Channel, Turner Network Television, USA Network, The Playboy Channel and much more, plus pay-per-view movies from most of the major studios.

Our open policy couples Hubbard Broadcasting's 70 year, proven commitment to public service with some of the largest and most respected names in home entertainment. Moreover, nearly three years ago, USSB and Hughes' DirecTv contractually agreed to share an entire system so that there will be no equipment, encryption or other technical barriers to deny any

American family open access to the full range of DBS programming and services offered by USSB and DirecTv.

This shared system will allow consumers the opportunity to freely select programming from both USSB and DirecTv. In fact, we believe that most consumers will enjoy and appreciate the seamless flexibility of this shared system by choosing some services from USSB and some from DirecTv or, in selected rural areas, from the NRTC.*

All of this means free and open access to all programming and assures the efficient use of valuable spectrum.

More important, it means no more television monopolies on Mainstreet, USA. Or on Elm Street. Or Rural Route 2.

We are excited about all of this. We thought you would be, too.

I have enclosed a copy of the press statement, a simple diagram showing how the shared system DSS™ (Digital Satellite System) will work and a Q and A fact sheet that you and your staff may find helpful. Of course, I would welcome the opportunity to talk with you about our open policy, USSB or the emerging Direct Broadcast Satellite industry in general.

Most sincerely,



Stanley E. Hubbard

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P.S. Keep your fingers crossed for a successful satellite launch this Friday— broadcasts begin April 1, 1994!

* NRTC purchased exclusive distribution rights to DirecTv subscription programming in a defined, primarily rural territory. USSB programming will be available, without restriction, throughout the continental United States including in NRTC territories.



For Immediate Release

All Viewers Gain Full Access Via USSB's Open Retail Policy

NRTC Affiliates, TVRO Retailers Can Offer HBO, Showtime, Nickelodeon & More

St. Paul/Minneapolis (December ##, 1993) - Television viewers living in all areas of the United States will have full and open access to U.S. Satellite Broadcasting's (USSB) line-up of top quality DSS™ Digital Satellite System programming, when nation-wide Direct Broadcast Satellite service begins in April, 1994. USSB's open retail policy gives all NRTC affiliates and hardware manufacturer-authorized TVRO retailers the ability to offer USSB's programming packages when they provide DSS™ hardware to consumers. Additionally, should viewers anywhere choose not to purchase USSB's programming through their DSS™ hardware supplier, they will always have the option of calling the USSB customer service center on a toll-free line. USSB's programming will be available on an open, equal basis to every DSS™ home in the United States, regardless of location.

USSB's open retail policy states that any satellite or consumer electronics retailer who qualifies as a DSS™ dealer for RCA or other brands, abides by USSB's policies and procedures, and maintains USSB's standards of customer service excellence will be able to sell USSB's programming packages in conjunction with DSS™ equipment sales. NRTC affiliates, consumer electronics dealers or home satellite retailers who wish to take advantage of USSB's open retail policy can call USSB's toll-free dealer hot line: 800-898-USSB. Everyone who is interested in participating in DSS™ opportunities in general, and USSB's open retail plan in particular, is urged to call.

With some of America's most popular television networks and a commitment to public service in the best tradition of broadcasting, USSB's Direct Broadcast Satellite (DBS) service will be distributed on an open and equal basis to every U.S. home equipped with a small, low

All Viewers Gain Full Access Via USSB's Open Retail Policy

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cost DSS™ system receiving unit beginning in April, 1994. DSS™ System viewers will be able to freely and openly choose from among more than 150 channels of television services offered by both USSB and DirecTv, another DSS™ programming company. USSB's line-up already includes many well known networks: Multiplexed premium services of HBO, Showtime, The Movie Channel, Cinemax and Flix, as well as MTV: Music Television, VH-1, and Nickelodeon/Nick at Nite; Comedy Central; Lifetime; and All News Channel. All these networks will be offered as part of value-packed programming packages. Various other services will be openly offered on a subscription option or on a pay-per-view or pay-per-series basis and USSB will broadcast free, advertiser-supported programming to any viewer, anywhere in the United States, who owns a DSS™ receiving unit.

The satellite and the DSS™ system will be shared by Hughes Communications' DirecTv service, which consumers can receive with equal ease. The shared DSS™ system ensures that the public will be able to freely select from among the complementary services of USSB and Hughes' DirecTv without having to worry about technical barriers. USSB's goal is to provide the public with the full value of the DSS™ system and the widest range of viewing choices possible. The National Rural Telecommunications Cooperative (NRTC) and DirecTv have reached an agreement allowing NRTC to distribute some of DirecTv's programming to certain, primarily rural areas. Consumers living in those areas will have the option of buying DSS™ hardware through NRTC affiliates or from other consumer electronics dealers and home satellite retailers. USSB is not a party to the NRTC/DirecTv agreement and will distribute its own line-up of DSS™ programming openly through the shared DSS™ system. All NRTC affiliates will be able to openly and fully participate in USSB's retail program on an individual basis, just like any other DSS™ outlet.

The readily affordable DSS™ home equipment will be manufactured and distributed by Thomson/RCA, and consists of a small, unobtrusive antenna, a simple receiver and an interactive remote control that will allow viewers to navigate through more than 150 channels of television programming. The antenna will be 18" in diameter, will be easy to point, and will provide laser disc-comparable video and CD quality audio. The receiver is simple to install and easier to use than a VCR. The basic unit, including the antenna, receiver and remote control, will have a suggested retail price of \$699. Sony Corporation will become the second DSS™ equipment

All Viewers Gain Full Access Via USSB's Open Retail Policy

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seller, under a license from Thomson/RCA, once Thomson sells one million DSS™ units or 18 months into the project, whichever comes first. Eventually, Thomson will offer DSS™ hardware licensing agreements to other manufacturers and marketers.

USSB, the DBS permittee of longest standing in the United States, was founded in 1981 by radio, television and satellite broadcasting pioneer Hubbard Broadcasting, Inc. of St. Paul/Minneapolis, Minnesota. Hubbard Broadcasting owns nine television stations; two radio stations; two television production companies; and is the founder and managing partner of Conus Communications, which pioneered satellite news gathering and now serves more than 150 stations in a world-wide television news cooperative. In addition, Conus produces All News Channel, a 24-hour television news service, in a joint venture with Viacom International Inc. USSB is a Minnesota corporation and a subsidiary of Hubbard Broadcasting.

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For more information:

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USSB Dealer Hot Line: 800-898-USSB

USSB Consumer Hot Line: 800-204-USSB

Frequently Asked Questions about DBS, DSS™ and USSB

Q. What is "High Power DBS"?

A. High Power DBS is an entirely new system for distributing video, audio and data to individual households across America. It occupies a special set of frequencies set aside by world treaty and licensed by the FCC for broadcast satellites. It transmits with six-to-ten times the power of conventional (C-band) communications satellite so it can be received using an unobtrusive 18-inch wide antenna. **The entire receiver system, including the antenna and a digital set-top receiver, will be sold in consumer electronics stores and cost \$699 upon introduction early in 1994.**

Q. When will High Power DBS be available in the U.S.?

A. The first satellite is being launched on December 17, 1993 into the prime 101° orbital location. Service is slated to begin in April, 1994. Two companies, United States Satellite Broadcasting Company, Inc. ("USSB," majority owned by Hubbard Broadcasting) and DirecTv (owned by Hughes/GM) together own and will operate the satellite. USSB owns five transponders on the first satellite. DirecTv owns eleven transponders on the first satellite, and all 16 transponders on the second. **The system has been designed so that the same receiver and antenna can tune to all transponders and receive all services offered by both companies.**

Q. Where will DBS be available?

A. **On the day service begins, DBS will be available to every household in the continental United States that wants to receive it.** The signal goes everywhere and it is the consumers' decision when to put it in -- not their cable company's or some other gatekeeper's. At once, all Americans -- rural, urban and suburban, from coast to coast and border to border -- will have access to the most advanced digital television system yet produced.

Q. Digital?

A. Yes, with DBS, the era of digital television will begin in April 1994, bringing every resident of the continental United States who wants it over 150 channels¹ of laser-disc quality video and CD-quality sound. The DBS technology is called DSS™, the Digital Satellite System, and it comes from Thomson Consumer Electronics. **All DSS™ receivers will receive all 150+ channels broadcast from the 101° orbital location—all USSB and all DirecTv services.** The first million receivers will carry the RCA brand name.

¹ The thirty two conventional TV channels available at the 101° orbital location become 150 or more channels using advanced digital video compression technology. Half of these channels will be available when the system goes on line next spring; the remainder when a second satellite is put into service next fall.

Q. What will be on those 150 channels?

A. Nearly all of the most popular cable networks have signed on for DBS carriage at the 101° orbital location, including multiplexed HBO, Showtime, Cinemax, The Movie Channel, Flix, MTV, VH-1, Nickelodeon/Nick at Nite, Lifetime, Comedy Central, All News Channel (these being offered by USSB from its transponders), The Disney Channel, Encore, Turner Classic Movies, TBS, CNN, Headline News, Discovery Channel, Turner Network Television, USA Network, The Playboy Channel, plus pay-per-view movies from most of the major studios (these being offered by DirecTv from its transponders). Anyone with a DSS™ receiving system can subscribe to any of those channels.

Q. How does a person subscribe?

A. In many cases, the consumer will be able to sign up for their favorite programming services right at the store when they buy their DSS™ equipment. But anytime thereafter, a simple phone call to 1-800-204-USSB will get them signed up for any or all of the services USSB offers, and a call to 1-800-DirecTv will get them signed up for any or all services DirecTv offers. **A consumer can—and probably will—be signed up for both USSB and DirecTv programming services at the same time.** Moving between them is as easy as changing the channel.

Q. Where does the NRTC enter in?

A. The National Rural Telecommunications Cooperative has reportedly contracted with DirecTv to offer a package of 20 DirecTv services to six million rural households. The NRTC sold franchises to its member utility companies to offer the DirecTv services and, according to published accounts, paid DirecTv \$125 million for the exclusive marketing rights to certain DirecTv services in the specified rural territories. USSB is not a party to this contract, though it is offering any NRTC franchisee the opportunity to sell USSB programming. Since NRTC homes will have DSS™ receiving units, they will be capable of receiving USSB's service, where it is sold by the local franchisee or the consumer purchases it directly by calling 1-800-204-USSB. **USSB and its programmers are committed to providing every DSS™ home with access to all programming services offered, at the same price and on the same terms no matter where they live.**

Q. How is DBS different from the backyard dishes ("TVRO systems") that have been around for a decade?

A. There are several key differences. First, the dish is much smaller (TVRO dishes are generally 8 feet in diameter, compared to 18 inches for a DSS™ dish). Second, it costs a lot less (DSS™ antenna/receiver systems will have a suggested retail price \$699 when first introduced; TVRO systems generally cost 3-5 times more). Third, DSS™ systems can receive all 150 channels from a single orbital location (101° west longitude) without having to repoint; most TVRO systems have to scan multiple satellites to receive all the channels. Fourth, DSS™ transmission are fully digital; TVRO involves analog transmission. Fifth, DSS™ uses a signal security system developed by encryption leader News Datacom, a system in use in millions of homes throughout the world. **But the important fact is that despite all of the differences, DSS™ does not replace TVRO for anyone who would prefer to receive their television service from C-band satellite. In every material respect, the two services will actually compete with each other for buyers.**

Q. Will there be other DBS operators besides USSB and DirecTv?

A. There are actually eight orbital locations set aside for DBS in the United States, each of which has 32 frequencies and three of which permit service to the entire continental United States. While the 101° orbital location is entirely taken up by USSB and DirecTv, other companies have been granted construction permits by the FCC to build competing systems at the other two orbital locations, 110° and 119°, which permit service to the entire continental United States. Also, Prime Star, primarily owned by several major cable companies, has been offering satellite programming from a medium-powered satellite (Ku band) since 1991 and, according to press accounts, intends to acquire high power DBS capacity within the next two-to-three years, probably at the 119° orbital location.

Q. Can DBS compete with cable?

A. First of all, it does not have to in order to be successful. However, USSB's eleven years of market research, performed by Frank N. Magid Associates, strongly suggest that cable subscribers nationwide will welcome the opportunity to acquire their favorite programming services from a dish they own rather than the local wire. **The important fact is this: After April, cable subscriber in every community across the continent will have a choice of how they get the programming they want. That is a choice that today most cable subscribers do not have.**

Q. What about interactive services? Will USSB and DirecTv provide them just as the cable and telephone companies are promising?

A. The "Digital Skyway" provided by the DBS satellite and the DSS™ technology is capable of transmitting large volumes of data in addition to video and audio signals. The receivers also incorporate a modem which connects to the owner's phone line, so a complete loop of interactivity is feasible using this hybrid approach. Technical capabilities are only one side of the equation, however. It remains to be seen what types of interactive services consumers actually want or will pay for. **USSB and DirecTv will be in a position to provide interactive services should the market develop for them.**

Q. To sum up, why would a consumer buy a DSS™ system?

A. To get digital picture and audio quality. To receive all of their favorite cable channels more flexibly without having to go through their cable company. Or if they live far away from cable service, to acquire the channels everyone else is watching for a fraction of the cost of buying a huge backyard dish. So that they can take their favorite programming with them when they move or go away on vacation. For better choices, better variety, and more freedom to choose what they watch and how much they spend. **If digital television is the future - and that is all anyone is saying these days - then the future will be in April 1994.**

DSS SYSTEM OPERATION DIAGRAM

